

December 18, 2001

IMPLEMENTATION OF MEDICATION CO-PAYMENT CHANGES

1. **PURPOSE:** This Veterans Health Administration (VHA) Directive provides Department of Veterans Affairs (VA) policy for charging veterans co-payments for medication received on an outpatient basis for non-service connected conditions.

2. BACKGROUND

a. Public Law 106-117, The Veterans Millennium Health Care and Benefits Act, gave the Secretary authority to increase the medication co-payment and to establish an annual cap on the amount of medication co-payments charged.

b. VA is required by law to charge certain veterans a co-payment for each 30-day or less supply of medication provided on an outpatient basis (other than medication administered during treatment) for treatment of a non-service connected condition. The medication co-payment for calendar year 2002 is \$7.

c. An annual cap was established to eliminate a financial hardship for veterans enrolled in certain priority groups (Priority Groups 2, 3, 4, 5, and 6) who may require an unusually large amount of medications. An annual cap was not established for veterans enrolled in Priority Group 7. When a veteran reaches the annual cap, they will continue to receive medications without making a co-payment. For calendar year 2002, the cap is \$840.

d. The medication co-payment applies to medications and over-the-counter medications (aspirin, cough syrup, vitamins, etc.) that are dispensed from a VA pharmacy. Medication co-payments are not charged for medications injected during the course of treatment or for medical supplies (syringes, alcohol wipes, etc).

3. **POLICY:** It is VHA policy that effective February 4, 2002, the medication co-payment will be increased to \$7 and the annual cap for veterans enrolled in Priority Groups 2, 3, 4, 5, and 6 will be \$840.

4. ACTION

a. **Office of Information.** The Office of Information is responsible for seeing that the information stored in the Veterans Health Information System and Technology Architecture (VistA) regarding medication co-payments will be shared between facilities to accurately track and record a veteran's annual cap. When a veteran reaches the annual cap for the calendar year, the veteran will continue to receive the medications dispensed without incurring co-payment charges. VistA will continue to track and record medications dispensed after the annual cap has been reached. This is done for statistical reporting purposes.

THIS VHA DIRECTIVE EXPIRES DECEMBER 31, 2006

VHA DIRECTIVE 2001-081

December 18, 2001

b. **Associate Chief Financial Officer for Revenue (174).** The Revenue Office (174) is responsible for:

(1) Ensuring the medication co-payment and the annual cap is adjusted on a calendar year basis. The pharmacy component of the consumer price index will be used to base increases on the medication co-payment. When an increase occurs, the co-payment will increase in whole dollar amounts. The amount of the annual cap will increase according to the increase in the medication co-payment.

(2) Implementing the exceptions. The following are exempt from the medication co-payment requirements:

(a) Medication for a veteran who has a service-connected disability rated 50 percent or more based on a service-connected disability or unemployability.

(b) Medication for a veteran's service connected disability.

(c) Medication for a veteran whose annual income (as determined under Title 38 United States Code (U.S.C.) 1503)) does not exceed the maximum annual rate of VA pension which would be payable to such veteran if such veteran were eligible for pension under 38 U.S.C. 1521.

(d) Medication authorized under 38 U.S.C. 1710(e) for Vietnam-era herbicide-exposed veterans, radiation-exposed veterans, Persian Gulf War veterans, or post-Persian Gulf War combat-exposed veterans.

(e) Medication for treatment of sexual trauma as authorized under 38 U.S.C. 1720D.

(f) Medication for treatment of cancer of the head or neck authorized under 38 U.S.C. 1720E.

(g) Medications provided as part of a VA approved research project authorized by 38 U.S.C. 7303.

c. **Medical Center Director.** The Medical Center Director will delegate the responsibility for ensuring that medication co-payments are deposited into appropriate funds and the VistA Accounts Receivable (AR) software automatically records the appropriate deposits. The deposits will be made as follows: \$2.00 is deposited into the Medical Care Collections Fund (36_5287); \$5.00 is deposited into the Health Services Improvement Fund (36_5358.1). If applicable, interest charges are deposited into the Proprietary Interest Fund (361435) and administrative fees are deposited into the Proprietary Receipts Fund (363220).

5. REFERENCES: Public Law 106-117, 38 U.S.C. 1722A.

6. FOLLOW-UP RESPONSIBILITY: The Associate Chief Financial Officer for Revenue (174) is responsible for the contents of this Directive.

7. RESCISSIONS: This VHA Directive expires December 31, 2006.

S/ R.Drye for
Thomas L. Garthwaite, M.D.
Under Secretary for Health

DISTRIBUTION: CO: E-mailed 12/18/2001
FLD: VISN, MA, DO, OC, OCRO, and 200 – E-mailed 12/18/2001